

CORRECTED FISCAL NOTE

HB 100 – SB 341

March 12, 2007

SUMMARY OF BILL: Apportions any new state and local sales tax revenue generated from any newly constructed museum dedicated to coal mining and any newly constructed hotel built in connection with such museum, when such museum and hotel are built within a county (Anderson County) containing a spallation neutron source facility, to the entity (Lake City) responsible for the retirement of debt on the museum.

ESTIMATED FISCAL IMPACT:

On February 19, 2007, we issued a fiscal note for this bill indicating the following other fiscal impact:

Other Fiscal Impact – The fiscal impact of this bill is dependent upon construction (for a new museum and connected hotel) being contingent upon this legislation. If construction will be completed regardless of the outcome of this legislation, then the fiscal impact is considered a decrease to state revenues estimated to be \$156,000 per year; local government revenues (City of Oak Ridge) would increase by \$156,000 per year. If construction is contingent upon passage of this legislation, then the fiscal impact is considered foregone state revenues estimated to be \$156,000 per year; local government revenues (City of Oak Ridge) would increase by \$156,000 per year. In addition, the City of Oak Ridge would be expected to generate approximately \$78,000 in additional local option sales tax revenue from the new museum and hotel. This amount would be earmarked exclusively for debt service on the new museum.

Based on new and recently received information, the estimated fiscal impact of this bill is as follows:

(CORRECTED)

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fiscal impact is considered foregone state revenues estimated to be \$156,000 per year; local government revenues (to Lake City) would increase by \$156,000 per year. In addition, Lake City would be expected to generate approximately \$78,000 in additional local option sales tax revenue from the new museum and hotel. This amount would be earmarked exclusively for debt service on the new museum.

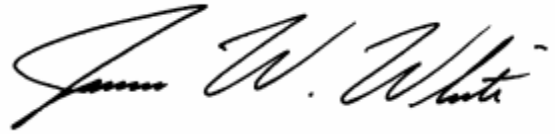
Assumptions:

- The only spallation neutron source facility in Tennessee is within Anderson County (within the City of Oak Ridge).
- The museum and hotel to be constructed is expected to occur in Anderson County (within Lake City). As a result, Lake City is the local jurisdiction expected to be responsible for the retirement of debt on the new museum.
- Apportionments shall continue for 30 years or until the museum debt is retired, whichever is sooner.
- According to the Department of Revenue, a mid-level national chain hotel in Tennessee averages approximately \$2.7 million in taxable sales each year.
- Given the coal mine museum would be built in connection with a new hotel, taxable sales from the museum are estimated to be 5% of the taxable sales generated by the hotel, or \$135,000 per year.
- Total taxable sales are estimated to be \$2,835,000 per year (\$2,700,000 from the hotel + \$135,000 from the museum = \$2,835,000).
- No portion of state sales tax revenue generated for education pursuant to Acts 1992, Chapter 529 or Acts 2002, Chapter 856 shall be apportioned pursuant to this proposed legislation (1.5% of the 7.0% state rate).
- The amount of state revenues that would be generated and earmarked for debt on the museum is estimated to be \$156,000 per year ($\$2,835,000 \times [7.0\% - 1.5\%] = \$155,925$).
- Local option sales tax rate in Lake City is 2.75%.
- Local option sales tax revenue generated from the museum and hotel is estimated to be \$78,000 per year ($\$2,835,000 \times 2.75\% = \$77,963$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

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A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director